



December 4, 2009

Karen Heisler
Asset Development Director
Rural Dynamics, Inc
2022 Central Avenue
Great Falls, MT 59403

Legal Application: Rural Dynamics, Inc.

Dear Mrs. Karen Heisler,

Thank you for submitting an application under the Montana 2010 AmeriCorps Notice of Funding Opportunity. As part of our review process we have identified items that need clarification. Please respond to each of the items in writing and update your application as necessary:

Budget

1) Financial Survey: Please provide an attached schedule (refer to question #1) showing the total federal dollars awarded to your organization, by granting organization.

RDI Federal Grant Sheet

Grant	Agency	Amount	Fiscal Year
VITA 2009	Internal Revenue Service	\$118,000.00	2009
VITA 2010	Internal Revenue Service	\$80,000.00	2010
Total Awarded		\$198,000.00	

2) Staff Travel: Provide calculation for mileage that identifies the reimbursement rate.

Mileage and per diem shall be reimbursed at the approved state mileage rate per the FY 2009 rates at a maximum of 55 cents per mile. Other policies and procedures will refer to those policies used by the state to be found at <http://doa.mt.gov/doatravel/default.mcp.x>.

Note

1) Background Checks: AmeriCorps regulations require that grant funded staff who have recurring access to vulnerable populations, i.e., children, the elderly, disabled, etc. receive background checks. These costs are allowance and can be included in the budget under Other Program Operating Costs.

Please make sure all items are addressed and applications are returned (via email) no later than December 11, 2009. Please contact me if you have any questions.

III. Narratives

A. Rationale and Approach

Asset development is a critical component of moving people out of and away from the edge of poverty. Building strong consumers increases economic development and the ripple effect on sustainable rural communities continues for generations. This is the end goal of Rural Dynamics Incorporated (RDI). Sustainable movement to financial independence requires that change takes place in three areas: Knowledge, Attitude and Behavior. Existing programs involved with financial literacy education creates change in knowledge. Increased knowledge about a subject alone often will not create changes in attitudes and behavior. This planning grant is to explore and develop a program that will use behavioral economics to incorporate intensive financial coaching to move low income families that have completed financial education to incorporate this knowledge into attitudinal and behavioral changes. The planning grant will explore how individual counseling and mentoring by “Navigators” will create significant behavioral changes that will result in financial constancy such as home ownership, freedom from debt and protection from catastrophic losses.

The target market is the State of Montana, focusing on Native American and rural communities. Montana has not been impacted by the economic downturn as much as other states largely because the state was already struggling. Since the end of 2008, Montana’s unemployment rate has doubled from 3% to 6% according to the Bureau of Labor Statistics. While housing prices continue to rise in some prosperous communities, homes in Eastern Montana are selling for a fraction of market price. According to 2007 Census county estimates, the median household income in Montana is \$43,000 compared to a national household income of \$50,740. Montana counties fall far below this measure, including Roosevelt County with a median household income of \$29,744. Fourteen percent of the state’s population now lives below the poverty line, ranking Montana as the 16th most impoverished state in the nation (Bureau of Labor Statistics, 2008). This poverty is unevenly distributed with Indian Reservations and rural counties being the most impoverished. Poverty rates on Indian Reservations range between 34% on the Flathead Reservation to 50% on the Northern Cheyenne Reservation based on figures from the Office of Management and Budget in 2002. According to the 2008 census update, 6.4% of Montana’s population was Native American.

One in four Montanans’ are working at least two jobs (more than any other state) reflecting the Montana consumer’s dependence on lower-wage, seasonal, and part-time occupations. Even with working two jobs, families are struggling with the average wage in Montana at \$29,150, putting the state 49th in the nation for wages according to the 2007 Census update. In many rural and eastern parts of the state, economic conditions are significantly worse than statistics would convey. For example, unemployment is higher in Montana’s rural counties (e.g. Glacier at 8.3%, Lincoln at 9.4%, and Mineral and Roosevelt, which hover around 6.5% according to the Bureau of Labor Statistics). Additionally, the growth in wages for low-income earners is relatively slow. {Deleted sentence} Considering the recent economic downturn and high inflation levels, this amount is likely to be adjusted downward. Insufficient and inconsistent earning power is becoming a notable problem for many people in Eastern and rural Montana. On Montana’s Indian reservations, unemployment is staggeringly high according to a 2002

study by the University of Great Falls: Fort Peck, 54 %; Blackfeet, 69 %; Flathead, 24%; Crow, 47%; Fort Belknap, 70%; Northern Cheyenne, 60%; and Rocky Boy, 68%. The populations of Montana's 32 eastern and rural counties continue to decline significantly, with the eastern half of Montana having lost more than 10% of its population in the last 15 years.

This planning grant will enable RDI to develop a plan for providing services that would allow low-income families to thrive in communities of their choosing and lift them out of poverty by promoting financially responsible behaviors. The grant will explore how to connect changes in knowledge to attitudinal and behavioral change by using counseling and asset building strategies. The coaching program will be modeled after behavioral economics, which takes into account the bounded nature of rationality and its relation to finances. In this, the program will incorporate research that uses reference points, creates channel factors, and eliminates **barriers** in directing people to work program services. A model program will encourage change in the way people think about and approach financial security. Such strategies will help families close the income and credit gap that prevents them from owning a home, accumulating savings, and building a strong financial future.

RDI has been building diverse relationships with organizations and individuals for the past 42 years. **The organization** works with associations, coalitions, service providers, and individuals and families across 19 Native Communities including urban Indian populations across the Montana and the Northern Plains (MT, SD, ND, & WY). RDI's Board of Directors represents this diversity with four tribal members and low income representatives. RDI, through its existing work in the area of asset development, has strong relationships with local HRDCs, NeighborWorks organizations, tribal economic development agencies, and financial coalitions. During the planning grant process, RDI will reach out to partners by using a series of regional development meetings that will allow partners and community members to have input into the planning and development process. Utilizing this wealth of partners and the knowledge they contribute, RDI will develop an AmeriCorps program that will link individuals and families to community, state, and national resources that will move clients towards economic independence by building assets.

AmeriCorps members will have an important role to play in meeting the program need for navigators that can translate knowledge into changes in attitudes and behavior. AmeriCorps members would act as liaisons, or navigators, for participants to link to individualized services and programs. Navigators are mentors and guides who encourage and challenge participants to create sustainable financial change in their lives. The uniqueness of this program is the individual mentoring approach. While many agencies have housing counselors or financial educators, few are able to span the spectrum of social services and support families' need to be successful in meeting their financial goals. This concept is an investment in the individual and family and a promise of success because it fosters changes in knowledge, attitude, and behavior. **With the navigator, the individual or family would create a plan for economic stability. The plan would meet the client where they are and work toward defined outcomes. The navigator will then assist the client with planning the steps necessary to carry out the goal. The navigator will also work with work support service programs in the community to link the client to services that will help them achieve their goals. Whether it is increasing their income, owning a home, or paying off debt, the navigator will share tools, resources, and personal connections to assist the client in achieving their financial vision.**

Though this approach is unique, it is not a new concept. For example, in Harlem, the Promise Communities program that develops plans for each child to attend college and mentor the family from birth to college graduation is very similar to the program RDI is developing. One stop shops are beginning to open around the United States where families can go and at one location link into a wide variety of services. During the course of the planning year, the specific communities to be served in the initial year will be identified with the primary focus on Native American and rural communities. The demographic served in these communities will be low and moderate income individuals and families.

Need for these services are established by the fact that a great deal of those eligible for work support programs does not use them. In Montana, according to a November press release from the Associated Press, 38% of families eligible to be receiving SNAP benefits were not enrolled. Nationwide, only 40% of those eligible receive TANF funding in 2005 according to a study by the Center on Budget and Policy Priorities. This trend of under use of work support programs indicates a need for people to be educated on and linked to these programs. This is where the Navigator position to be staffed by AmeriCorps members is essential to the development of the state. It is these navigators that will link eligible people and families to the work support programs necessary for their well-being.

During the planning period, RDI will begin to put the processes and systems in place that will ensure respect for diversity in each program element and that there is sound fiscal oversight of the project. With the help of community partners, RDI will develop a selection rubric for program site locations to ensure the necessary partnerships are in place to ensure the success of the program. Following is an outline of the planning process.

Timeline	
Hold initial conversations with statewide partners to identify initial potential community placement	2/1/10 – 5/1/10
Complete community needs assessment and evaluation of programs and resources in identified communities	5/1/10 – 6/30/10
Identify lead organizations	5/1/10
Identify community planning team	8/30/10
Hold community planning meetings	9/1/10 – 10/31/10
Develop training plan for members	11/30/10
Develop community resource guides for communities	11/30/10
Develop policies and procedures	12/15/10

Lead organizations will house members and provide support services. These organizations will be able to commit to the financial responsibility of being the lead community agent including:

- Trainings
- Member match contribution
- Supplies and space necessary for success

The community planning team will dialogue on project to create the following:

- Training on systems thinking and poverty
- Develop resource guides for the community
- Develop measures of success – quantitative and qualitative
- Community inclusion – leaders and general community awareness

RDI currently has educators on staff with knowledge and experience in program design and training. RDI, for the last several years, has undertaken the training of volunteers for VITA sites, overseeing 60 VITA sites and clinics. RDI will use its experience in volunteer training to prepare orientation and training materials for service sites and for AmeriCorps members.

The program will be sustained using RDI's TaxHelp Montana Model for program implementation and volunteer recruitment. Under this model, RDI would use the AmeriCorps members to build the capacity of the communities served, provide training, and initiate services that partners in the communities can adopt. In this manner, individual communities helped could, feasibly, take on the burden if for some reason RDI could no longer support the navigator programs in those communities. This sort of sustainability through the capacity building of partners is not only practical, but something RDI has experience in creating.

D. Organizational Capability

RDI was founded in 1968 as Consumer Credit Counseling Service of Montana with a mission to "provide programs and develop partnerships to help youth, individuals, and families achieve economic independence." Realizing the need to provide assistance to Montanans facing financial issues because of credit misuse, RDI operated as Consumer Credit Counseling Service for 38 years. Understanding that financial security for families and individuals involves more than the wise use of credit, but rather, the ability to attain and grow assets, RDI's organizational direction began to incorporate broader asset building programs and services in 2005.

RDI's experience with the AmeriCorps*VISTA program dates back to the organization's restructuring in 2005 with funding from the W.K. Kellogg Foundation. Alongside other partners, such as the University of Montana Office of Civic Engagement and Montana Legal Services Association, RDI has been providing meaningful experiences for AmeriCorps*VISTA and AmeriCorps State members for four years. Members have been supervised by RDI staff and take on tasks working on financial education, volunteer tax preparation, public policy, and other forms of outreach. One such member published an article with the Federal Reserve on the topic of Low-Profit Limited Liability Companies. Work also deals with a wide variety of populations, from Native American Indians to the elderly. Overall, RDI's work with the AmeriCorps program, via its partners, has proven fruitful for both the organization and its AmeriCorps members.

The successful programming of the organization in credit counseling and financial education is mission driven, to increase financial literacy to assist clients in achieving financial independence. Through seven offices RDI has been able to impact the financial literacy across this rural region for 40 years. In 2008, 15,305 consumers completed initial appointments that are a free financial consultation with an

accredited counselor. In these appointments, they are counseled on budgeting, options available for their amount of debt, and improving their credit. Of the total clients counseled, 1,552 enrolled in debt management plans with an average of six creditors and \$19,883 of debt. While it takes about 31 months to repay debt, RDI clients are able to work within their means to repay debt while learning about budgeting, savings, and setting financial goals for their future independence.

As part of this mission driven approach, RDI recognizes that financial education is vital to long term financial stability. In 2008, the organization reached 3,037 people with its education courses. Dollars and Sense is RDI's primary education course that the organization offers on its own or through partnerships such as NeighborWorks Montana, which utilizes the course as a pre-requisite for homeownership. The course covers budgeting, credit reports and scores, goal setting, insurance and taxes, predatory lending, financial institutions and taxes, and identity theft. Our financial education outreach also encompasses several tribal communities. Blackfeet Women Saves saw 112 women complete the Dollars and Sense program in the spring of 2007. Our Native American Investor Education Program reaches junior high and high school students on four reservations with financial education woven into the standard curriculum.

RDI also integrates its Dollars and Sense Course with its Individual Development Account (IDA) program participants. The organization currently has 21 active participants in the Family Economic Security Program, the majority of which are enrolled in higher education and career training programs. All of these IDA participants were former TANF recipients who are now building their assets and secure a future for their families. Rural Dynamics has also provided technical assistance and marketing for both the Chief Dull Knife Saves IDA program and the Credit Builder IDA.

Offering target communities options for building assets, which increases financial security, is another way the organization drives towards its mission. RDI's Earned Income Tax Credit (EITC) outreach, TaxHelp Montana, is growing exponentially. In the four years since it was founded, the number of free returns has grown by more than 31 times and increased the dollars returned to Montana families more than 16 times. The initial year of the program, Tax Year 2004, saw \$294,132 in refunds in comparison Tax Year 2007 when the program brought in \$4,961,519 in refunds. In Tax Year 2008 TaxHelp Montana filed over 6,200 federal returns, bringing Montana communities over \$5 million in federal refunds. Our community members saved an estimated \$2,672,040 in Refund Anticipation Loan (RAL)/preparer fees last year because of the TaxHelp Montana. The success of Tax Help Montana has come widely through the development of community partnerships in rural areas that believe in the work. These community partners in over 60 communities provide support services, volunteer services and the resources necessary to continue program growth and development. In addition to the tax preparation services, local community organizations have successfully linked clients to financial education and counseling, asset building products and services that help clients earn it, keep it and grow it. These partnerships will be leveraged within this planning grant process to identify communities providing these types of products and services.

This measurable success portrays the capacity of the organization in providing programming centered on the financial fitness of the individual. With the planning grant, RDI intends to utilize AmeriCorps

members to take the organization into its next stage, better merging the programs the organization does well, together, and providing outreach to populations that have been previously underserved. This way, RDI is putting AmeriCorps members in an exciting role in the organization, putting them at the forefront of the next stages of its progression by becoming financial coaches providing guidance to low to moderate income residents of rural Montana, giving them the tools they need to become economically independent.

RDI is governed by a board and management staff. The board of directors represents the diversity of the Northern Plains Region and Montana. It is comprised of twelve members; four are Native American, one is from North Dakota, two run small businesses, and all are committed to the economic development of Montana and the region. The role of the board is to provide guidance to the management of RDI and ensure that programming by the organization 1) stays grounded in the mission, 2) is viable financially, and 3) represents the people that the organization serves and partners in the region to ensure that the utmost cooperation and level of service is being provided.

The management team will play a critical role in the development of the planning grant. Specific duties will be assigned by management, in particular, the Financial Economic Security Program Director, Lynda Sowell, and Financial Education Program Director, Steven Cape. These two have previous experience overseeing AmeriCorps members and their roles in the planning grant are crucial because their programs serve as the cornerstones of the work members will be accomplishing. Northern Plains Initiative Director, Michelle Hauer, has a great deal of knowledge in planning, executing, and evaluating AmeriCorps programs through her work with Montana Legal Services. She will advise on the development of the program. In addition, Karen Heisler, the Director of Asset Development, will assist in the program development, training development and sustainability component of the planning grant.

The organization employs 32 staff in its central office in Great Falls, MT. Additional employees work at 6 branch offices in the Montana cities of Billings, Kalispell, Missoula, Butte, Helena, and Bozeman. In addition to staff, the organization utilizes the services of 7 AmeriCorps members provided through partnerships such as the University Of Montana Office Of Civic Engagement and the Montana Legal Services Association. For the TaxHelp Montana program, approximately 160 volunteers were coordinated to perform its functions during the 2008 tax year. Outreach functions and the TaxHelp Montana program have reached over 60 communities in the state including all 7 Indian Reservations and such remote corners of the state as Wolf Point and Libby, MT. This capacity shows RDI's potential to effectively take on the financial coaching program and bring firm deliverables to light in the planning grant.

Partners which have been involved in programming related to the grant are NeighborWorks Montana, homeWORD, Montana Credit Unions for Community Development, Bozeman Human Resources Development Council, Montana Making Sense (MM\$), and the Native American Community Development Corporation. The organization will also look to the network of partners developed through the State Asset Building Coalition and Northern Plains Initiative, for which RDI is the lead. This partnership includes such diverse organizations as the Montana Food Bank Network, Montana Legal Services Association, and the Federal Reserve Bank of Minneapolis. The Northern Plains Initiative is a collaboration between people and organizations in the four-state region of Montana, Wyoming, and the Dakotas to create systematic change to improve economic opportunity. This coalition includes legislators from all four states, the North Dakota Community Foundation, Black Hills Neighborhood Housing, and the Wyoming Women's Foundation. These partners have the potential to create a wide referral network for the financial coaches, providing a holistic approach to the financial well being of the

clients that will be served by the AmeriCorps members and the planning grant. In this way, the financial coaches will serve as the link of the clients to the asset-building programs offered by RDI and its partners.

Through previous success of the organization in providing programming related to the work in the planning grant, competency and history of the organization, and the breadth of partners that RDI will involve; the organization is the perfect partner to begin initial work on creating a state-wide program linking clients to assets in rural, underserved communities.

E. Cost Effectiveness and Budget Adequacy

Much of RDI's service capacity is met through grant funding. Currently, the organization is able to leverage \$403,792 in grants to expand partnerships and programs. For this grant, funding will be leveraged from a variety of sources including the W.K. Kellogg Foundation, the Montana Department of Health and Human Services, and the Northwest Area Foundation. These grants will supplement the cost of staff time as indicated in the budget portion of this application. This funding will be mostly private and state funding to go to the planning of implementation of Asset Development programs.

RDI is providing in-kind support at 24% to develop webinars for training and technical assistance from Michelle Hauer for the development of an AmeriCorps program. This in-kind support is currently being funded by foundation support from the W.K. Kellogg Foundation and the Northwest Area Foundation. Webinar development will allow for distance training unique to this program. Michelle Hauer brings knowledge of the AmeriCorps program from her background as the program coordinator for Montana Legal Services Association. The staff and resources that make up the in-kind contribution are currently in use by the organization for other purposes and are easily drawn upon. Additional commitments may include continued pursuance of funding from additional private contributions to the program and leveraged funding from existing funding from within the organization.

The outlook of future matching is positive. This particular AmeriCorps program would become a critical component in where Rural Dynamics Incorporated is going for the future. The organization has strong relations with private, state and federal government funders that will continue.

Budget Narrative Addendum

Mileage and per diem shall be reimbursed at the approved federal mileage rate per the FY 2010 rates approved by the U.S. General Services Administration and are found at;

http://www.gsa.gov/Portal/gsa/ep/contentView.do?queryYear=2010&contentType=GSA_BASIC&contentId=17943&queryState=Montana&noc=T.

RDI Federal Grant Sheet

Grant	Agency	Amount	Fiscal Year
		\$	
VITA 2009	Internal Revenue Service	118,000.00	2009
		\$	
VITA 2010	Internal Revenue Service	80,000.00	2010
		\$	
	Total Awarded	198,000.00	